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Industrial Development Board

Twenty-second session

SUMMARY RECORD OF THE 1st MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 30 May 2000, at 10 a.m.

Temporary President: Mr. REGUIEG (Algeria)

President: Mr. ORTIZ (Spain)

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The meeting was called to order at 10.20 a.m.

OPENING OF THE SESSION

1. **The TEMPORARY PRESIDENT** declared open the twenty-second session of the Industrial Development Board. He welcomed Ministers from Burkina Faso, Côte d'Ivoire, Madagascar and Uruguay to the session. Their presence symbolized the positive attitude of the developing countries to UNIDO.

2. He thanked the Director-General, the Secretariat and all delegations for their cooperation during the past year and expressed the hope that the spirit of consensus would continue to prevail at the present session.

ELECTION OF OFFICERS

3. **The TEMPORARY PRESIDENT** said that he had received the following nominations: Mr. A. Ortiz (Spain) for the post of President; Mr. A. Kermanshah (Islamic Republic of Iran), Mr. F. A. Urruela Prado (Guatemala) and Mr. M. Nobilo (Croatia) for the posts of Vice-President; and Mr. A. Laassel (Morocco) for the post of Rapporteur.

4. *The candidates were elected by acclamation.*

5. *The President took the Chair.*

6. **The PRESIDENT** thanked the outgoing President of the Board for his efficient work during his term of office.

7. Article 2 of the Constitution of UNIDO provided that the Organization should encourage and extend assistance to the developing countries, in particular in the development, expansion and modernization of their industries. Development contributed towards the maintenance of peace, and the general raising of living standards helped to reduce conflicts. It was therefore essential for all Member States to assist in the work of UNIDO.

8. He expressed his appreciation to the Secretariat and the Director-General for their excellent work and for the documentation before the Board.

ADOPTION OF THE AGENDA (IDB.22/1 and Add.1; IDB.22/CRP.1)

9. **The PRESIDENT** said that the provisional agenda (IDB.22/1) was based on that adopted by the Board in decision IDB.21/Dec.16 (see document GC.8/4). It also included two items proposed by Member States, namely item 7, "Implementation of resolution GC.8/Res.3 on sustainable industrial development", proposed by Morocco, and item 8, "Establishment of an international centre for sustainable development", proposed by Slovenia. An additional item 11, "Adoption of the report", inadvertently omitted from the provisional agenda, should be added.

10. **Mr. PITTALUGA FONSECA** (Uruguay), speaking as Chairman of the Group of 77, proposed that the title of item 8 should be amended by the addition of the word "industrial" before the word "development".

11. *It was so agreed.*

12. *The provisional agenda (IDB.22/1), as amended, was adopted.*

STATEMENT BY THE DIRECTOR-GENERAL

13. **Mr. MAGARIÑOS** (Director-General) said that periodically evaluating the performance of the Secretariat was one of the main purposes of the Industrial Development Board, and both he and his staff felt stimulated by the Board's positive evaluation of their work and its continuous practical support. However, equally important was to engage Member States in a discussion on how to deal with the current challenges facing the Organization and how to move it forward. Such an approach had proved its importance in 1997 when the Board had approved the Business Plan on the Future Role and Functions of UNIDO. The sessions of the policy-making organs in the year 2000 would be equally crucial. He therefore suggested that the Board should consider focusing its discussions on the substantive matters before it. He would first give the Board his ideas about UNIDO's present and future.

14. The first issue was the financing of the integrated programmes. The Secretariat had now formulated and approved 41 integrated programmes, eight more than at the end of 1999. That meant a total yearly requirement for funding of $60 million of technical cooperation over the next five years. In the past, the annual total of technical cooperation, excluding the Montreal Protocol, had been around $40 million. An increase in technical cooperation delivery was what was demanded by the developing countries.

15. However, the Secretariat believed that technical cooperation was not just about giving money provided by a donor to a given country. A programme's relevance was based on the quality of the activities performed, but multilateral cooperation was a cooperative game in which donor and recipient countries alike gathered round a set of specific activities to work together for the betterment of the people. As the report of the United Nations Secretary-General for the Millennium Assembly had recalled, "We the peoples" was the driving force behind the Charter of the United Nations and all the United Nations system's activities.

16. That was why the Secretariat was now focusing attention more than ever on refining the methodology for technical cooperation formulation and delivery. The Secretariat was trying to learn from its experience with the integrated programmes over the last two years, and was organizing meetings to assess the potential impact and relevance of the Organization's activities. The staff of UNIDO had identified three groups of countries in that connection. The first group was one in which a more articulated impact could be produced in a short period of time. The second group contained countries where very good results could be achieved but where further analysis and studies were needed to ensure more integration. The third group included those where more would have to be done to strengthen the programme and articulate its impact in a sustainable manner. While the formulation of integrated programmes would continue, efforts in the short term would be concentrated on consolidating and improving the work already done.

17. The participation of members of the Board in the discussions on that topic would be particularly welcome. The Board's guidance was needed in deciding on the size and characteristics of UNIDO's technical cooperation, how many and which type of programmes should be pursued and what the strategies should be for the years ahead.

18. The participation of Member States should not be seen just as a matter of placing voluntary contributions: their views were needed on how to make UNIDO's activities more relevant as a contribution towards sustainable development.

19. There were good grounds to be cautiously optimistic about the evolution of the funding for UNIDO's integrated programmes. Some 67 per cent of the resources needed for the first year had been collected— some $40 million, out of which $6.2 million had already been invested by UNIDO, some $22 million by donors and the rest by UNDP and self-financing trust fund agreements.

20. There were good examples of funding being obtained: the programme in Uganda, which had started in 1999, was close to being fully financed; Guatemala had taken the lead in financing its own technical cooperation activities despite a change of government; the programme of Sri Lanka was also evolving well with a commitment of almost one half of the funds required. Countries such as Denmark and the United Kingdom were responding positively to UNIDO's request for untied voluntary contributions.

21. However, it would be important to achieve some understanding and agreement on the foreseeable future of UNIDO's technical cooperation activities, to provide a predictable scenario for funding integrated programmes already formulated or to come. That would allow a better focusing of efforts in programme formulation and implementation.

22. UNIDO needed to know how far its Member States wanted it to go, what sort of activities were perceived as more relevant than others and how well balanced the portfolio of programmes was. There was a need for a sense of partnership and a spirit of cooperation. Without that, the transformation process mandated by the Business Plan would not succeed.

23. The discussion on the size and characteristics of UNIDO's technical cooperation activities was extremely important, not only because of the need to finance the integrated programmes but also because of the process of UNIDO's decentralization and its portfolio of new initiatives. He saw decentralization as critical for the success of UNIDO. A number of ideas and initiatives had been developed, and an attempt was being made to establish regional offices. Decentralization and the planning of technical cooperation activities in the field were interlinked. The decentralization process implied not only a redefinition of UNIDO's presence in the field but also an assessment of the balance in the assignment of human resources between Headquarters and the field. It would be irresponsible to embark on a costly and painful exercise without a clear outline of the nature and scope of field operations.

24. In connection with the portfolio of new initiatives, UNIDO senior staff, during a recent retreat, had proposed a number of actions for the further streamlining of UNIDO's services and structure. A need had also been identified to complete the technical cooperation delivery system by the development of regional programmes. The management had recently approved guidelines for those programmes, involving integrated packages of services to address particular sets of industrial development problems. The regional programmes would focus on specific topics such as energy efficiency, the environment, the promotion of private sector development and the facilitation of access for the developing countries to international trade and investment flows. He hoped to submit examples of those programmes to the next session of the Board.

25. For the time being he could give the example of the "technology foresight" programme for Latin America, which had started implementation in March that year with the support of Italy. The Secretariat was developing other initiatives such as "UNIDO Exchange", a new tool to promote transfer of technology utilizing information technology.

26. The Secretariat had successfully implemented the resolution of the General Conference on the Global Environment Facility (GEF). The Council of GEF had approved a special arrangement to expand opportunities for UNIDO as executing agency given its specific expertise in new emerging areas for GEF activities.

27. While the integrated programmes were the heart of UNIDO's technical cooperation delivery and would remain so, the Organization could not pretend to cover the needs of the whole developing world and the countries with economies in transition with just one type of technical cooperation delivery. In addition to the integrated programmes and future regional programmes, UNIDO had another methodology for technical cooperation delivery: so-called "stand-alone projects". Those projects were submitted by Branch Directors and approved by Managing Directors. They were projects which drew mainly from one service module and were designed to be carried out in countries where no integrated programme had been developed. Since September 1998, approval had been given to 51 projects with a total volume of $15.6 million in service modules related to investment promotion and institutional capacity-building and 29 projects for $17.2 million in the area of environmental sustainability. The total for the whole Organization was 80 projects for a total value of $33 million. Of that amount, $24 million was already committed by UNDP and under trust-fund agreements with donors and recipient countries alike.

28. He considered stand-alone projects absolutely necessary to enable UNIDO to work with a global reach and tailor its services to the differing needs of its clients. They were an important complement to the integrated programmes. However, analysis of that portfolio should also be included in the assessment of the size and characteristics of UNIDO's activities and decisions about the utilization of the Organization's financial and human resources. Formulating and implementing the stand-alone projects required staff time, energy from the field offices, and important financial resources.

29. The Organization was back on its feet and full of ideas and commitment for the future. He was grateful to all delegations for the support and encouragement they had given him during the past two and half years. All could feel proud of what had been accomplished. In many ways, UNIDO's transformation process had taken the lead in contributing to reform efforts throughout the United Nations system.

30. A decision had now to be taken about the future. In the past two years the Secretariat had worked hard to implement its mandate. There was now a new methodology to explain how UNIDO developed and implemented its technical cooperation activities. Complete information was now available on the Organization's performance and focus. Nearly three years ago an agreement had been reached through the Business Plan to overcome a crisis. The crucial question today was how the fundamental basis provided by the Business Plan could be deepened and broadened to move the Organization forward.

31. He wished to express particular thanks to those countries that were giving intensive support to the Organization's efforts to transform itself, and in particular those that had been able to allow UNIDO to use the unutilized balances to fund the integrated programmes. He also wished to thank those countries that by paying their assessed contributions in full and on time had allowed UNIDO to carry out its task. UNIDO was no longer in a crisis or facing urgent risks, and that was the setting in which a new agreement was needed to increase its relevance, importance and impact.

ORGANIZATION OF WORK

32. **The PRESIDENT** proposed that the Board should once again decide to suspend rule 32 of the rules of procedure regarding the quorum, except for meetings at which substantive decisions were to be taken. Rule 80 provided for a 24-hour period of notice of a proposal for suspension, which could be waived if no member of the Board objected. If he heard no objection, he would assume that the Board wished to suspend rule 32.

33. *It was so decided.*

ANNUAL REPORT OF THE DIRECTOR-GENERAL ON THE ACTIVITIES OF THE ORGANIZATION IN 1999 (IDB.22/2 and Corr.1 and Add.1)

34. **Mr. ABREU** (Uruguay) said that the increase in international trade had greatly outpaced the growth of world output. Two thirds of international trade consisted of trade in manufactured goods with high technological content, 70 per cent of that trade was directly linked to the most highly developed economies and the world's blocs of prosperity and security, namely Europe, the United States of America and Japan. Having presided over the last phase of the Uruguay Round of trade negotiations, Uruguay understood the interests at stake in the international arena and had learned objectively that countries had no permanent friends, only permanent interests. That being the case, it was necessary to be realistic and resolute, but also to develop an attitude of solidarity to ensure that international trade had equitable features that would translate into higher standards of living.

35. Transnational corporations played a key role in that process. Most of the approximately 40,000 transnational corporations currently in operation were in the manufacturing sector, where technology was of crucial importance. Economies of scale, financial planning, strategies and alliances, particularly among large corporations, had created a network of relations in which globalization determined the roles to be played by more developed and less developed countries. Global financial flows were another major factor. International financial transactions had grown four times as fast as investment in real assets and production, and the aggregate value of financial resources was several times that of international reserves. With the probable exception of the United States dollar, the Japanese yen and the German mark, all currencies on the international market were subject to

speculative manoeuvres that could result in the downfall of the economies concerned.

36. The World Trade Organization (WTO) had a critical role to play in lending strength, accountability and legal security to the new regulatory framework for international trade, as globalization in an increasingly competitive world posed new challenges to individual countries and to the various integration systems. The failure of the Seattle Conference was a clear example of how interests took precedence over objectives and how the strategies of some countries or sectors linked to the powerful interests behind trade, investment and financial flows could, in some cases, prevail over the goals of WTO, which should be supported by all countries, particularly developing ones.

37. Those issues were logically linked to the way in which integration processes were managed. Regionalism was an integration model which made openness compatible with integration and which gave all countries an opportunity to develop equitably under the principle of asymmetry—in other words, unequal treatment of unequal economies, though without confusing justice with paternalism. Countries were competitive partners in integration processes, which were a means of reconciling competitiveness with solidarity and of empowering all their members, especially in the industrial sector, without weakening any of them for the benefit of the others.

38. Those issues led to the question of how to manage the industrial sector. Countries with small economies sought to offset the differences by developing competitiveness based on technology and, especially, education in the service of the production structure. It was very important to develop the concept of asymmetry with the large economies that were the chief partners of those countries. The importance, for small countries, of having large neighbours was well known. That fact must be dealt with not by confrontation or complaint, but with a clear understanding that small economies had a right and an obligation to develop their entire chain of production, from the primary sector to the service sector, and to use the value added of industry to build competitiveness and productivity. That process, in turn, was based on the capacity of the enterprises and public sectors of the countries participating in those regional models to import technology and to adapt it to their competitive potential. The aim was to complement open regionalism with globalization and to provide a role to the smaller economies under the principle of asymmetry so that they would be able not only to compete in terms of producing goods and services, but also to raise their peoples' standard of living, which was the ultimate objective of every Government.

39. The challenge before the developing countries was to become more competitive from their areas of strength, and not to blame their weaknesses on the strength of others. Sometimes, those weaknesses were inherent in their own economies and their own capacity to develop and to meet the challenges of the modern world. Developing countries should not expect from others what they were incapable of doing for themselves. That attitude would attest to the realism, decisiveness and professionalism of those countries. Uruguay was one of the small countries which, in cooperation with more developed economies, must make its best efforts to ensure the fullest possible development of its industrial sector throughout the chain of production. Uruguay therefore supported the efforts made by UNIDO and agreed that the Member States should focus on the role it should play in the future, which required the establishment of clear and well-defined objectives. International organizations did not die natural deaths, but disappeared as a direct result of the action or inaction of their members. The States Members of UNIDO must vindicate the Organization's efforts, recognizing that its activities signalled new hope for their industrial sectors. The Member States could make UNIDO the best instrument for the sustainable development of their industrial sectors by supporting its decentralization and the measures it was implementing and placing them at the service of those who expected something more than bureaucratic or technocratic responses to contemporary problems, particularly in the developing countries.

40. **Mr. PITTALUGA FONSECA** (Uruguay), speaking on behalf of the Group of 77 and China, said that he had noted from the 1999 Annual Report of UNIDO that the Organization had undertaken a number of activities in 1999 to provide integrated technical cooperation and to act as a global forum for the acquisition and dissemination of knowledge and as a partner in development. However, he was concerned about the Organization's financial situation, and urged Member States to increase their contributions in the area of technical cooperation. The Secretariat should renew its efforts to mobilize funds for the implementation of the integrated programmes. He welcomed the new format of the Annual Report; the Secretariat should continue its efforts to make the report more user-friendly.

41. The provision of adequate resources to finance the integrated technical cooperation programmes was the greatest challenge for UNIDO. The decline in voluntary contributions to the Industrial Development Fund (IDF) and the lack of sufficient, assured and predictable resources for the integrated programmes remained a cause of concern. The allocation of 6 per cent of the regular budget to finance technical cooperation had not helped matters. As the leading agency for industrial development, UNIDO required the political and financial support of Member States. The modalities for the IDF should be reviewed with the aim of making its resources more predictable. Member States should express their support for the Organization's reforms by providing the necessary resources for technical cooperation.

42. He was concerned to note that the Organization's financial difficulties were adversely affecting its operational activities. Both the collection rate of assessed contributions and the level of outstanding contributions in the year 2000 compared unfavourably with those recorded for the same period in 1999 and 1998. The pattern of delayed payments resulted in the non-utilization of scarce resources, which had to be refunded or placed in a special account through the suspension of the relevant financial rules year after year. However, he appreciated the fact that, out of the unutilized amount of $5.62 million as at 31 March 2000, $4.25 million was available in the special account for technical cooperation programmes. He urged those Member States that were in arrears to pay their assessed contributions in full and on time.

43. The successful formulation and implementation of the integrated programmes was extremely important to UNIDO. He was pleased to note that 29 integrated programmes covering various regions had been formulated and approved by the management as at the end of 1999. Further efforts should be devoted to the implementation of ongoing projects. He was also pleased to note that 11 additional programmes were at various stages of development and that another 18 programmes would be reviewed for possible formulation; that would bring the total number of integrated programmes to 58 by the end of 2000. He commended the Secretariat for having organized an impact assessment meeting, and hoped that similar meetings would be held within the next year to evaluate the medium- and long-term impact of the integrated programmes. In addition, the Secretariat should regularly update the Member States on the implementation of those programmes.

44. The development of competitive industries in a clean environment was the best way to fight poverty, enhance efficiency and reduce the risk of social conflict. UNIDO should therefore continue to focus on sustainable industrial development with a view to generating employment and protecting the environment. The Director-General should enhance cooperation between UNIDO and other agencies that dealt with sustainable development in order to help developing countries to build competitive economies and to generate productive employment in a sound environment. The transfer of technology was one of the most important means of attaining that goal.

45. With respect to the report on activities of the Joint Inspection Unit (JIU) (IDB.22/6), he supported the system of consultation and exchange of experiences among organizations of the United Nations system, which could be made more effective through close coordination with other agencies and organizations. However, no action should be taken on the JIU recommendations concerning results-based budgeting, since that system had not yet been approved by the General Assembly, and developing countries continued to have questions about it. UNIDO should continue to emphasize equitable geographical distribution in its personnel policy, particularly at the Professional level. He strongly supported the maintenance of gender balance at all levels of the Secretariat and welcomed the efforts made to increase the presence of women in the Secretariat, particularly at the decision-making level. In addition, the Secretariat should continue its coordination efforts with Member States in regard to the establishment of subregional offices.

46. Lastly, he commended UNIDO for what it had achieved despite its continuing budgetary constraints. UNIDO was of great relevance for helping developing countries to build their industrial capacities and avoid marginalization in the globalized world. Industrialization was a dynamic instrument for the acceleration of economic and social development and important for poverty eradication and the creation of productive employment.

47. **Mr. ROSA LA** (Portugal), speaking on behalf of the European Union, together with Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Norway, Poland, Romania, Slovakia, Slovenia and Turkey, stressed the importance of industrial development in the fight against poverty. Developing countries and countries with economies in transition needed sustainable, environmentally friendly and technologically up-to-date industries, an area in which UNIDO had an important role to play.

48. The European Union welcomed the fact that UNIDO had strengthened its cooperation with various organizations of the United Nations system in order to create synergies, avoid duplication and obtain financing for its activities. It also welcomed the dialogue taking place with GEF and in connection with the Kyoto Protocol. It appreciated the briefings given to Member States on the results of the negotiations on UNIDO's participation in GEF and welcomed the recent decision of the Governing Council of GEF to create expanded opportunities for UNIDO as one of its executing agencies. The Union welcomed, in particular, the dialogue between UNIDO and the European Commission and wished to be kept informed about the follow-up action taken by UNIDO as a result of that dialogue.

49. UNIDO had been making a significant effort to promote cooperation within the United Nations system and had been the first specialized agency to second a Professional to the United Nations Development Group in order to support the United Nations Development Assistance Framework (UNDAF). The Union supported UNIDO's efforts to increase its representation in the field and to concentrate that representation in regional offices, where appropriate.

50. The Union welcomed the Organization's internal evaluation of its integrated programmes, of which a total of 41 had already been approved. The success of the programmes should be measured not by the number

approved but by their quality and the sustainable development that followed their successful implementation.

51. The Secretariat had taken a number of initiatives to attract funding for technical cooperation activities by co-operating with and mobilizing funds from various sources. Since the results of those initiatives were not immediate, global programming targets should be realistically developed and well-targeted projects should continue to be a valid option in countries where the development of an integrated programme was not feasible.

52. An independent, objective, measurable and simplified system of indicators should be developed to improve the quality of programmes, monitor their implementation and evaluate their impact on the industrial development of recipient countries. To that end, adequate resources should be provided to the evaluation unit. The Union welcomed the joint impact assessment seminar which had been held recently to promote greater participation by Member States in the process. Both recipient countries and potential donors should be involved at an early stage in the development of integrated programmes. A demonstrated commitment by recipient countries, including through cost-sharing arrangements, and a realistic funding plan were important elements when considering new integrated programmes.

53. The thematic concentration of the programmes and the focus on institutional support, policy advice and capacity-building were all elements that appeared to have been developed in accordance with the Business Plan. The Union supported the activities related to gender mainstreaming in all programmes and the special emphasis which the Organization placed on the least developed countries (LDCs), particularly in Africa. The Organization should continue to focus on the global goal of poverty alleviation. It should also consider ways in which the activities of the Investment and Technology Promotion Offices could be integrated into UNIDO's overall strategy and include in future annual reports a more detailed section on the activities of the Offices.

54. With regard to the Organization's financial situation, the Union was concerned at the outstanding contributions and arrears in payment of assessed contributions and recalled the responsibility of all Member States to honour their payment obligations.

55. Turning to administrative and personnel matters, the Union noted the changes in the gender balance within the Secretariat and supported efforts to redress the imbalance, particularly at the higher levels. However, greater transparency and efficiency were needed in the filling of vacancies. It commended the Secretariat on its efforts to introduce the new budgeting system and looked forward to the introduction of the euro as a single currency for UNIDO's programme and budget from the biennium 2002-2003. It also welcomed the investments that were being made in order to update the information technologies used in the Secretariat.

56. The European Union remained committed to the Organization and supported the steps that had been taken to transform it. It recognized that time was needed for the impact of the drastic changes that had taken place to be felt in the field. The Director-General and his staff had worked very hard to ensure UNIDO's continuation and viability, and all Member States should support the Organization by providing the funding necessary to enhance its effectiveness and impact.

57. **Ms. ALEMAYEHU** (Ethiopia), speaking on behalf of the African Group, commended the Director-General and his staff on their dedication to the work of UNIDO and on their assistance to Africa's industrialization efforts. Of the 29 integrated programmes that had been formulated in 1999, 10 were in Africa. Despite the limited financial resources available, every effort had been made to implement the programmes. UNIDO had also forged new strategic partnerships with other development institutions, such as the World Trade Organization and the United Nations Conference on Trade and Development, which had proved beneficial to developing countries. It should continue to pursue similar alliances in the future.

58. The African Group was concerned at the continuing decline in UNIDO's financial situation. Despite the implementation of the reforms prescribed in the Business Plan, the collection rate had not improved and arrears in payments posed a major problem. While the African Group understood the domestic difficulties faced by some Member States, especially the developing countries, it strongly urged all Member States to show their support for the Organization by paying their financial obligations in full and on time to enable the Organization to carry out its mandate.

59. The African Group noted that $200 million would be required over a period of four years for the implementation of the 29 integrated programmes that had been formulated. Since only 6 per cent of the regular budget could be allocated to the financing of technical cooperation programmes, emphasis should be placed on the mobilization of extrabudgetary resources for that purpose.

60. In formulating the integrated programmes, UNIDO had emphasized the concept of ownership of the programmes by the recipient countries. The African countries had embraced that concept and, within the limits of their capabilities, had contributed in cash or kind to the cost of implementation. Member States should show their commitment by mobilizing more funds for the implementation of the programmes and by contributing to the IDF. In that connection, the African Group wished to express its appreciation to those Member States that had responded to General Conference resolution GC.8/Res.4

concerning the use of unencumbered balances from earlier bienniums to finance integrated country programmes, particularly in LDCs.

61. UNIDO should play a greater role within the United Nations system as a central agency for the development of cleaner industry and productive employment. Its role could be strengthened by closer cooperation with organizations such as the World Intellectual Property Organization that promoted the transfer of environmentally sound technologies to developing countries. In that connection, a greater effort was needed to implement General Conference resolution GC.8/Res.3, and the Director-General should explore every opportunity for doing so.

62. Industrialization was the driving force behind economic growth in Africa and held the key to employment creation and poverty alleviation. All Member States should therefore support Africa's efforts to industrialize and to gain its rightful place in the globalized world.

63. **Mr. URRUELA PRADO** (Guatemala), speaking on behalf of the Latin American and Caribbean Group (GRULAC), said that the 1999 Annual Report clearly reflected the changes that had taken place in UNIDO's policies and programmes over the past few years. The Group noted with satisfaction that 29 integrated programmes had been formulated and that discussions on them were under way with other countries. Implementation of the integrated programmes was a challenge to which the Organization must rise, given their importance to the promotion of sustainable development in the developing countries.

64. It was essential, however, that adequate financial resources be provided for the full implementation of the integrated programmes. No purpose would have been served by launching such programmes if the planned objectives and expected impact were not achieved. The Group supported the Director-General's efforts to secure additional funding for the integrated programmes and urged donor countries to increase their voluntary contributions for technical cooperation activities.

65. Successful implementation of the programmes benefited not only the recipient countries but also the Organization, which, following the profound changes it had undergone, now needed to show that it was capable of discharging its principal mandate, namely the promotion of sustainable industrial development. GRULAC therefore shared the concern of other Member States and of the Secretariat at the high level of outstanding payments and arrears in contributions to the Organization's regular budget. Member States should honour their financial commitments to the Organization, even when their own budgetary constraints made it difficult for them to do so.

66. Lastly, the Group welcomed the constructive dialogue that was taking place between the UNIDO Secretariat and the Joint Inspection Unit on the question of the follow-up to the reports and recommendations of the Unit. It shared the position adopted on the matter by the Group of 77 and China and requested the Secretariat and the Joint Inspection Unit to continue their work so that Member States could obtain the information that was needed for proper decision-making.

67. **Mr. AFFI** (Côte d'Ivoire) said that UNIDO had emerged from its period of reorganization as a viable international organization with precise objectives and an effective management. By the end of 1999, nearly 30 integrated technical cooperation programmes around the world had been formulated and operationalized to address the needs of Member States. His delegation welcomed the regional approach which UNIDO had adopted for Africa and in particular for the members of the West African Economic and Monetary Union. The success of the programmes would go a long way towards promoting economic integration in the region. The Director-General should now operationalize the regional offices that had been identified.

68. In the field of development, however, the best ideas had value only if they were implemented and helped to improve the quality of life of the populations concerned. His Government therefore appealed to all Member States and development partners to provide the resources needed to consolidate the Organization's considerable achievements and to enable it to fully discharge the mandate with which it had been entrusted.

69. It was generally recognized that rapid industrial growth was the principal means of creating jobs, increasing incomes and improving the living conditions of populations. Social and economic transformation could not be achieved in the developing world without rapid industrial growth, which was the key to combating marginalization and poverty. In recognition of the role of industry in the transformation of national economies, African States and the international community had declared the period 1993-2002 the Second Industrial Development Decade for Africa. That initiative had been strengthened by the Alliance for Africa's Industrialization (AAI), which had been established in 1996 to address the continent's economic problems by promoting industrialization and combating poverty. UNIDO's expertise made a valuable contribution to those efforts.

70. The long-standing relations between UNIDO and Côte d'Ivoire had been given renewed impetus recently with the signing of a technical cooperation agreement and the upgrading of the UNIDO office in Abidjan to a regional office. Côte d'Ivoire valued the technical and financial cooperation received from UNIDO for the

formulation and implementation of its integrated programme. Several components of the programme were currently being implemented with support from the Government or private sector of Côte d'Ivoire, and a strategy must now be developed to mobilize some $6 million in additional funding from bilateral and multilateral donors.

71. Even though it had been governed by a transitional regime since 24 December 1999, Côte d'Ivoire continued to honour its international commitments and sought to strengthen its cooperation with the international community while laying the foundations for economic, social and cultural development. A referendum on a new constitution would be held in July 2000 and presidential and legislative elections later in the year with a view to the restoration of constitutional rule in Côte d'Ivoire.

72. **Mr. CISSE** (Burkina Faso) said that his country had been the first beneficiary of the Organization's new system of integrated programmes, whose results thus far included jobs and higher incomes for the poorest sectors of the population, particularly women. A number of pilot projects had been established in such fields as leather working and the drying of fruits and vegetables, and training programmes had been organized in standardization, testing and quality control. Those initiatives had been made possible through the partnership between Burkina Faso and UNIDO and thanks to the voluntary contributions that had been received from certain developed countries. The beneficiaries themselves had also contributed to the establishment of the pilot units, thereby demonstrating their commitment to the programme. As the Minister responsible for industry in Burkina Faso, he wished to express his complete satisfaction at the results that had been achieved thus far.

73. In order to continue a programme which had given such hope to beneficiaries, it was vital to obtain the necessary funds, and he appealed to Member States to increase their voluntary contributions to UNIDO. He also encouraged the Director-General to continue with his efforts to mobilize resources from bilateral and multilateral sources of finance. The beneficiary countries should also support UNIDO in that endeavour. Resources allocated to technical cooperation were inadequate. The international community must support UNIDO by increasing financial contributions for implementing integrated programmes and other projects; moreover, all Member States should pay their assessed contributions on time. Burkina Faso would be paying a large part of its arrears of contributions in the next few days.

74. **Mr. CHOI Sang-duk** (Republic of Korea) said that at a time of rapid globalization UNIDO's pursuit of industrialization which was tailored to the specific needs of individual developing countries was increasingly important. In particular, the importance of its field operations could not be overemphasized. However, if UNIDO was to succeed it needed strong support from its Member States, and as a first step it was most important that all Member States in arrears should pay their dues. No organization could function properly when a third of its members had lost their voting rights for being in arrears. His delegation strongly urged Member States to pay their dues in full and on time, and requested the Organization to make greater efforts to seek settlements with the Member States concerned. With regard to mobilizing new sources of funds, his delegation proposed that UNIDO strengthen its partnership with the private sector and consider new approaches such as making it possible for multinational corporations to make financial contributions.

75. **Mr. MANNO** (Italy) said that his Government had signed trust-fund agreements with UNIDO for the establishment of investment promotion units in Jordan, Tunisia and Uganda and for two projects in Tunisia in the textile and leather sectors. Italy had always been committed to the promotion of industry in developing countries, and particularly welcomed UNIDO's initiative in convening the Forum for Industrial Development in November 1999.

76. **Mr. SRINIVAS** (India) said that, although globalization had not always been a smooth and painless process, it had become an imperative, and its relevance as a robust strategy for the betterment of mankind as a whole could not be questioned. It provided the unique opportunity to share capital, technology and knowledge on a global scale, which seemed to be the only viable answer to the problems of poverty and economic underdevelopment. UNIDO had an important role to play in bridging the gap in industrial growth between developed and developing economies, which would facilitate healthy world economic growth.

77. India welcomed the Director-General's efforts in carrying out organizational restructuring and in improving programmes and implementation methodologies to meet the core concerns of member countries. India appreciated the new approach of providing comprehensive packages of integrated services aimed at sustainable industrial development, which had facilitated the matching of national industrial priorities within overall development goals through client focus and convergence of the efforts of private and public stakeholders. Such integration not only created a healthy symmetry between all programmes but also built up the critical mass necessary for such efforts to succeed.

78. In the context of the emerging World Trade Organization environment, there was a need for a sharper focus on small and medium-sized enterprises (SMEs). Removal of quantitative restrictions did not ultimately lead to additional demand, since SMEs faced a number of supply-side constraints; their strengthening would require comprehensive efforts in terms of forward/backward linkages and transfer of technology, as well as an

appropriate policy framework. Some of the schemes that could be pursued were computerized dissemination of industrial information, subcontracting exchanges and technology banks. UNIDO and India had recently established the International Centre for Advancement of Manufacturing Technology (ICAMT), which was aimed at enhancing the global competitiveness of SMEs through appropriate technology-based interventions. The Entrepreneurship Development Institute at Ahmedabad had been designated as an interregional centre for entrepreneurship development, with focal point institutions being set up in Asia, Africa and the Arab region. UNIDO's private-public partnership experiment in India's automotive component manufacturing sector had demonstrated the efficacy of involving all stakeholders in achieving programme success, and the possibilities were now being explored of transforming the project into a national programme that would enable Indian automotive components manufacturers to plug in to the global supply chain. Such a programme would depend largely on national capacity-building.

79. India fully supported UNIDO's involvement in the identification and implementation of Global Environment Facility projects, of which India was an important beneficiary. However, India considered that the response time to projects proposed under the GEF programme should be considerably reduced through greater interaction with member countries and GEF implementing agencies.

80. India appreciated UNIDO's efforts to strengthen its field offices, and was particularly satisfied by the transformation of the UNIDO country office in New Delhi into a regional office. It urged the Director-General to make the regional office operative with immediate effect.

81. While a series of initiatives had been taken to strengthen UNIDO's technical capabilities, financial matters remained a major area of concern. The Organization's deteriorating financial position needed to be addressed urgently. A particular problem was that of delayed payments and arrears, which led to the peculiar situation of surplus funds at the end of the year with no automatic roll-over. Informal consultations should continue in the quest for a permanent solution to the problem of unutilized funds. India urged Member States concerned to pay their arrears of assessed contributions without further delay. India paid its assessed contributions regularly, and also made substantial voluntary contributions to the IDF, to which it had already pledged a voluntary contribution of $1.2 million for the year 2000. India urged donor countries to raise their voluntary contributions to facilitate funding of technical cooperation and integrated programmes.

82. **Mr. ZHANG Yishan** (China) said that UNIDO had made great progress in discharging the mandate given to it by the General Conference at its seventh session in terms of streamlining its structure and improving its working methods. In the past year the staff had decreased by 8 per cent, while the rate of approval and implementation of projects had increased and the time taken to approve technical cooperation projects had shortened. UNIDO's integrated technical cooperation programmes had brought great economic and social benefits, especially to the least developed countries of Africa. However, China noted with concern that lack of finance was hampering UNIDO considerably in terms of its ability to deliver technical assistance. The information provided showed that only 14 per cent of the total budget for the integrated programmes was currently funded. China hoped that UNIDO would intensify its efforts to secure guaranteed finance for technical cooperation projects, and continue to explore possibilities for finance on international capital markets, as the International Fund for Agricultural Development had done.

83. UNIDO's financial situation aroused deep concern and anxiety among many countries, including China. The amount of assessed contributions now in arrears had reached $140 million. Sixty-seven of the 168 Member States had already lost their voting rights because of their failure to pay assessed contributions. The Board should adopt effective measures to redress that abnormal situation. UNIDO was the only organization in the United Nations system with a clear mandate to provide services to developing countries, and it was particularly regrettable that many of the countries with arrears of contributions were developing countries. Only with adequate funding could UNIDO's proper functioning be guaranteed, and it was the duty of each Member State to pay its assessed contribution on time. In order that UNIDO should avoid a repetition of the crisis it had suffered two years before, all Member States should make joint efforts to pay their dues in time and explore other sources of funding.

84. China was a developing country in which economic development was unbalanced. The western part of the country was relatively backward, and the Government had recently begun to implement a strategy for developing it by targeting 70 per cent of its investment to helping the provinces and regions of the area to develop their economies. The western part of China was rich in natural resources and manpower, and had great potential for development. It was to be hoped that UNIDO, in cooperation with the Government of China, would formulate integrated development programmes for the western part of the country and, through its investment promotion network, introduce more investors to the area. Western China was an area where UNIDO could play a great role, and where investors would obtain very good returns.

85. China would continue to strengthen its cooperation with UNIDO, and was considering increasing its contribution to the IDF.

The meeting rose at 12.50 p.m.